Challenges of Hotel Industry in India

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Abstract
    The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sectors in India. Tourism in India is an employment producer and an important source of generating foreign exchange reserve for the country, apart from being an economic activity that helps local and host communities. This paper helps us to understand the challenges faced by the sector like employee retention, customer satisfaction, legal and technical compliances etc. and the paper is titled as "Challenges of Hotel Industry in India". This study examines the difficulties faced by the Indian hotel industry as a whole including the challenges faced by the owners as well as the Management and operational staff working in it in recent times. It is a well known fact that competition for the survival in the industry has been getting tougher with every passing year and the fact of the matter is that industry is still gradually growing at a constant rate of about 5-7 % per annum since few years. Occupancy level in hotels all over India has been reported as getting lower and discounts percentages getting higher affecting Rev-par, which has almost halved in these six-seven years. Though, Industry is very hopeful for future growth and expecting sunny days as the room inventories are increasing on daily basis, thus creating more opportunities for the service staff. This study follows the flaws in some of the government policies directly related to Hotel Industry which are effecting hotels and also discusses other issues related to hotel Industry as well such as Taxation Policies of Indian Government, Debt- funding by Indian Banks, Licensing Issues, Visa Issues, Descending Indian economy, Online Travel Agents, Guest Profiling, Human Resource Management, Quality of Guest Services in the era of Social Media, Safety and Security etc. These are few of the most important concerns which have a long lasting effect upon the business of the hospitality.

Key words: Service sector, Indian Economy, Hospitality, Employment and Foreign Exchange, Challenges, Hotel Industry

I.   INTRODUCTION

The development of a country's services sector is an indicator of its economic development. It has matured considerably during the last few years and has been globally recognized for its high growth and development. The services sector in India comprises a wide range of activities, including trading, transportation, communication, financial, real estate and business services, and community, hospitality, social and personal services. The services sector is a vital component of the Indian economy. The sector, which accounts for around 60 per cent of the country's gross domestic product (GDP), has emerged as one of the largest and fastest-growing sectors not just in the country but in the global landscape; subsequently, its contribution towards global output and employment has been substantial. This sector in India comprises a wide range of activities, including trading, transportation, communication, financial, real estate and business services, and community, social and personal services.

1.1 Objective of the paper
To identify the challenges in hospitality sector in India

1.2 Methodology
This paper is purely based on secondary data. The data has been collected from various sources like published reports of Government of India, World Bank Report and information from different websites.

1.3 Scope of the study
The present paper does not focuses on the opportunities and challenges in all the areas of services like tours and travels, logistics, entertainments, communication, mass media, banking, insurance, information technology, investment management etc. The present paper focuses only on the opportunities and challenges in hospitality sector, therefore the scope of the paper is restricted only to hospitality industry.

II.   HOSPITALITY INDUSTRY

    The Indian tourism and hospitality industry has arisen as one of the crucial drivers of growth among the services sectors in India. Tourism in India is an employment generator and a significant source of foreign exchange for the country, apart from being an economic activity that helps local and host communities. Hotels are also an extremely important component of tourism industry. The Indian hospitality sector has been growing at a cumulative annual growth rate of 14 per cent every year adding significant amount of foreign exchange to the economy. The Government of India has contributed significantly to the growth and development of the industry by providing policy and infrastructural support such as simplification of visa procedures and tax holidays for hotels. Further, the tourism policy of the government aims at speedy implementation of tourism projects, development of integrated tourism circuits, special capacity building in the hospitality sector and new marketing strategies.

2.1 Major Players
Several international players, including Inter Continental, Hilton, Accor, Marriott International, Berggruen Hotels, Amanda, Satinwoods, Banana Tree, Hampton Inns, and Scandium by Hilt, Mandarin Oriental, Cabana Hotels, Premier Travel Inn (PTI), Marriott, Starwood and Accor have established a presence in the Indian hospitality space. The prominent Indian companies in the hospitality industry include Indian Hotels Company Ltd (IHCL), East India Hotels (EIH), ITC, Bharat Hotels, Asian Hotels and Hotel Leela venture. In the restaurant space, some of the more prominent foreign players include Domino's Pizza, McDonalds,

Pizza Hut, US Pizza, KFC and Costa Coffee. Most of these players have seen significant expansion in recent years and further expansion in smaller towns and cities is on the cards.

III.   CHALLENGES FACED BY THE HOTEL INDUSTRY: A REVIEW OF INDIAN SCENARIO

Historically, building a good hotel has always been a huge task, but in these times of 21st century it is gigantic due to manifolds increase in the prices of nearly each and everything that is required to make a hotel of the best standards. Hotels usually are a spectacular display of architecture combined with luxury at its best and conventionally are built in accord with the contemporary and futuristic designs with distinction for not only the exterior outlook but at the same time interiors are also given a chic and edgy styles with an intricate eye for details on every aspect.

Hotel Industry is ever evolving, ever changing not by its nature but due to the need of an hour. New and progressive concepts like Boutique Hotels, Green Hotels, and Healthy Hotels have emerged in the market with time, leading to the evolution and growth of new trends in the hotel industry. Industry has always operated in a same manner (i.e. —it acts for adopting the changes brought by the new introduced trends and technology‖), ever since the time of the first hotel of the globe i.e. —The Tremont‖. Industry caters to the people who are away from their home places and are ready to pay for the price of the services provided by the hotel. Generally these customers are treated like guests and i.e. why hotels are known to be home away from a home.

No matter how magnificently any hotel is built, its revenue flows from the number of guests staying in the hotel's room or utilizing any other services of hotel like its restaurants, bar, banquets, conference halls, spa, gym, beauty salon, swimming pools etc. It is a direct customer based industry whose main focus is towards the customer's satisfaction and customer retention so as to earn their long term loyalty towards their brand. It is a big challenge for all the hotels to retain their customers, no... —Guests‖, as with the advent of new trends in architecture, designs and technology and environment friendly and healthy hotels concepts, companies have been coming up with hotels which are being built incorporating all or some of these components in a building which is made while keeping in mind the fact that it is an investment for the future. With each passing day competition among the hotels for their own survival is becoming fierce and they are facing some modern day challenges in their daily operations those are directly or indirectly related to the revenue generation through customer satisfaction, retention and loyalty. We will discuss challenges which may be owner based or customer based in details –

3.1 Lack of proper infrastructure

Infrastructure needs for the travel and tourism industry range from physical infrastructure such as ports of entry to modes of transport to urban infrastructure such as access roads, electricity, water supply, sewerage and telecommunication. The sectors related to the travel and tourism industry include airlines, surface transport, accommodation (hotels), and infrastructure and facilitation systems, among others.

3.2 Access and connectivity

To harness India's tourism potential, several efforts are being taken for opening new destinations and exploring niche segments. However, infrastructure facilities such as air, rail, road connectivity, and hospitality services at these destinations and the connecting cities are inadequate. This remains a major hurdle for development of tourism. Roadways form a vital network in the tourist industry with almost 70% tourists in India travelling by road. Moreover, many tourist circuits depend on roads.

Despite numerous efforts to improve road infrastructure, connectivity remains a major problem. There is a greater need for strengthened road and rail network, development of more expressways, and tourist-specific routes to improve connectivity to various locations across different regions.
Aviation infrastructure is also critical since it is a major mode of entry for inbound tourism. Passenger traffic is expected to increase in the coming years; however infrastructure facilities at airports are cause for concern. Expansion and development of airports at major gateway cities is underway to cater to the increasing passenger traffic. However, in addition, airport facilities at important secondary cities and tourist destinations also need to be improved to be able to handle greater passenger traffic.

3.3 Amenities

Amenities available at various tourist locations and en route need to be improved. These include basic amenities such as drinking water, well maintained and clean waiting rooms and toilets, first aid and wayside amenities (to meet the requirement of the tourists travelling to tourist destinations) such as lounge, cafeteria, and parking facilities, among others. India scores poorly in terms of availability of these infrastructure facilities. Inadequate infrastructure facilities affect inbound tourism and also could lead to an increase in the outflow of domestic tourists from India to other competitive neighbouring countries. Hence, for the industry to register healthy growth, issues concerning all the related sectors need to be addressed.

3.4 Debt funding by Indian Banks

HVS India in September 2013 researched the lending parameters prevalent in select other countries of the world for hotel debt-funding and compared them to the prevailing conditions here. Expectedly, it was found that in cities such as New York, London, Dubai and Moscow, the term period of the loan ranges from 20-30 years, with interest rates of 5-7%. In other cities such as Beijing and Buenos Aires, while the length of the loan term is around 10 years, the interest rate is in the range of 9-10%. In clear contrast, debt-funding for hotel projects in India is characterized by a relatively short loan term, typically of 10-12 years, but with high interest rates of 12-14%.It is common knowledge that hotels in India typically have a construction period of 3-3.5 years. With a loan term of 10 years, the door-to-door tenure can be broken down as 3-3.5 years (construction period) + 1 year (moratorium on interest payment) + 5.5-6 years (operations period). Therefore, the project only has 5.5-6 years to pay for the debt service, which is unrealistic. As a result, the insufficient payback period leads to either the borrower putting in more equity to pay-off the debt, which ideally should be coming from the cash flows of the hotel itself or the project undergoing refinancing/re-structuring, which is a very common occurrence these days.

3.5 Licencing Issues

It is a well known fact among the local and international investors that India is a difficult country to start a business. It ranks 132 among the 185 countries in terms of ease of doing business due to issues related to licensing. The current regulatory environment in the country makes hotel development a difficult terrain for owners. Beginning with the land acquisition stage, for which the archaic laws differ from state-to-state, to securing approvals and licenses, an owner faces bureaucratic bottlenecks irrespective of whether he uses a top-down or a bottom-up approach to cut through the red tape, though the former is likely to yield quicker results. There are numerous licenses and approvals (can add up to more than a 100 in some states) that one needs to get in present times to open a hotel in India leading to loss of time, effort and money. Furthermore, the various bodies giving approvals/issuing licenses tend to work in independent silos, leaving the coordination up to the applicant.

3.6 Technology related Issues

Luxury hotel chains now understand the need to integrate smart technology with their services. The rapid pace of technology innovations has changed the expectations of the guests which is a challenge that most companies constantly face. Free fast Wi-Fi is a hygiene factor for most guests. They also expect to be able to book online and do other hotel related tasks on whatever devices they happen to own. So, hotels must therefore provide the expected amenities and keep pace with innovation in order to ensure web-based features work on wide range of devices. Days of hoteliers trying to make the hotel room mimic the home are over; it is just not feasible to keep up. What you put into the room today will become outdated vary quickly as the technology cycle is so much faster than the hotel refurbishment cycle says Gopal Rao, director sales and marketing, South West Asia, IHG. He says that minimalist strategy works with three key technology basics in room in place: Great high definition TV, high quality bandwidth, and media panel that can allow the guest to connect their devices to the TV through USB, many power charging sockets etc. As a business hotel, one of the features in all the rooms in Holiday Inn Mumbai International Airport is iPod-docking station. Besides serving as a charger, it has in-built speakers to connect to the iPods, and also has an alarm clock. The LCD screens in each room are retractable and have a media hub. All the rooms are sound proof and have electronically controlled window shades for the bathrooms. In the room guest is provided with Connectivity Panels to connect their Laptops, iPods, video cameras and gaming consoles to the in-room TV.

3.7 Human resource

Availability of skilled manpower is a major challenge faced by the travel and tourism industry, one of the largest employment generators in the country. To sustain growth in the travel and tourism industry, trained manpower/ workforce is required at every level — managerial, supervisory, skilled or semi-skilled. Challenges faced at each level are different. At mid and senior management levels, the industry faces talent crunch and at the front-line staff level, although human resources are adequate, a boom in other service industries such as banking, retail, airline and BPO have resulted in shortage of manpower at this level for the travel and tourism industry. Thus, we have a demand supply mismatch with respect to manpower in the travel & tourism and hospitality sector in India. A study conducted by Ministry of Tourism suggests that existing supply of human resources do not cater to even 40% of the demand. Thus, the industry has no alternative but to fill the void with untrained resources. Such a high proportion of untrained manpower would adversely affect quality of services offered to the tourists.

Attrition, shortage of tourism training infrastructure, qualified trainers, and lack of proper strategies and policies for human resource development also affect the industry. The industry needs to address these problems at the earliest.

3.8 Service level

In addition to tour operators and hotel staff, tourists interact with persons from different backgrounds, occupations and experience. Such people include staff at bus/railway station, immigration staff at airports, taxi/coach operators, ticketing/ travel agencies, small hotels, dhabas/roadside eateries, staff at heritage sites, and tour guides, among others. The degree of service offered by these various stakeholders has a significant impact on determining the tourist's overall experience of India as a tourist destination. The government has taken initiatives to promote responsible tourism by sensitizing key stakeholders of the tourism industry through training and orientation, to develop a sense of responsibility towards tourists and inspire confidence of foreign tourists in India as a preferred destination. One such major initiative is the —"Atithi Devo Bhava" campaign. More such efforts are required to improve the degree of service across various operators.

3.9 Marketing and promotion

Marketing and promotion of India as a major tourist destination is critical for the industry to achieve its potential. Lack of adequate budgetary support for promotion and marketing, compared with competing tourist destinations, is a major reason for India lagging behind as a tourist destination. Marketing under the —Incredible India‖ campaign helped place India as a good tourist destination on the global tourism map. Indian tourism products are promoted primarily by the Ministry of Tourism with the involvement of state governments through the State Tourism Development Corporations. Newer tourism concepts, which include cruise tourism, adventure tourism, agri tourism or rural tourism, are emerging in India and these require support to develop and flourish. Hence, greater marketing push for these different products is required. To remain competitive in the fiercely competitive field, India needs to change its traditional marketing approach to a more competitive and modern approach. There is a need to develop a unique market position and the brand positioning statement should capture the essence of the country's tourism products: i.e., they should be able to convey an image of the product to a potential customer.

3.10 Security

Security has been a major problem as well for growth of tourism for a number of years. Terrorist attacks or political unrest in different parts of the country have adversely affected sentiments of foreign tourists. Terror attacks at Mumbai in November 2008 dealt a strong blow to tourism in the country. The terror attacks raised concerns of safety. In addition, insurgency in different parts of the country also mars India's image as a safe destination. Following the terror attacks in Mumbai, security at tourist spots, airports and hotels has been beefed up to regain confidence of tourists. However, the government needs to take a

proactive approach in addressing these issues and in averting the potential impact on the industry. Cybercrime is another major challenge the travel industry faces.

Use of Internet in the travel and tourism industry has increased rapidly in recent years and has emerged as one of major segments for online spends. However, some of the biggest frauds have been detected in this segment and the issue of online security has assumed significant importance. While the online travel industry has registered robust growth, major concerns relating to security of online transactions persist. The industry needs to take measures to make the process of online bookings more secure and transparent and also needs to create awareness regarding this.

3.11 Visa Issues

For inbound international tourists, visa procedures are seen as a hindrance. A number of countries competing with India for tourists provide visa on arrival. India should provide visa on arrival for more countries or for certain categories of tourists for a specific duration. A number of projects in the tourism infrastructure segment and in the hotels industry are delayed due to non-attainment of licenses and approvals on time. The government recently cleared the longstanding proposal for single window clearance for hotel projects to hasten the process of infrastructure development. Implementation of this proposal would help development of tourism and hospitality infrastructure in the country. There is a greater need for speedier clearances and approvals for all projects related to the industry.

IV.   CONCLUSION

The services sector is a dynamic constituent of the economy. This sector accounts for around 60 per cent of the country's gross domestic product (GDP), has developed as one of the major and fastest growing sectors not just in India but at the global level; subsequently, its contribution towards global output and employment has been considerable. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sectors in India. Tourism in India is an employment producer and an important source of generating foreign exchange reserve for the country, apart from being an economic activity that helps local and host communities The sector also faces lot of challenges, to name a few employee retention, customer satisfaction, legal and technical compliances etc.

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